

CITY OF WINDOM, KANSAS
SPECIAL FINANCIAL STATEMENT
FOR THE YEAR ENDED DECEMBER 31, 2014

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CITY OF WINDOM, KANSAS
SPECIAL FINANCIAL STATEMENT
REGULATORY BASIS
For the Year Ended December 31, 2014

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INDEPENDENT AUDITORS' REPORT

To the City Council
City of Windom, Kansas
Windom, Kansas

We have audited the accompanying Summary Statement of Receipts, Expenditures, and Unencumbered Cash of the City of Windom, Kansas, as of and for the year ended December 31, 2014 and the related notes to the financial statement.

Management's Responsibility for the Financial Statement

Management is responsible for the preparation and fair presentation of the financial statement in accordance with the *Kansas Municipal Audit and Accounting Guide* as described in Note 1 to meet the financial reporting requirements of the State of Kansas; this includes determining that the regulatory basis of accounting is an acceptable basis for the preparation of the financial statement in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statement that is free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on the financial statement based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the *Kansas Municipal Audit and Accounting Guide*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statement.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 1 of the financial statement, the financial statement is prepared by the City of Windom, Kansas to meet the requirements of the State of Kansas on the basis of the financial reporting provisions of the *Kansas Municipal Audit and Accounting Guide*, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

The effects on the financial statement of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the "Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles" paragraph, the financial statement referred to above does not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the City of Windom, Kansas as of December 31, 2014 or changes in financial position and cash flows thereof for the year then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statement referred to above presents fairly, in all material respects the aggregate cash and unencumbered cash balance of the City of Windom, Kansas as of December 31, 2014 and the aggregate receipts and expenditures for the year then ended in accordance with the financial and reporting provisions of the *Kansas Municipal Audit and Accounting Guide* described in Note 1.

Report on Supplementary Information

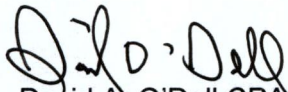
Our audit was conducted for the purpose of forming an opinion on the 2014 fund summary statement of regulatory basis receipts, expenditures, and unencumbered cash balances (basic financial statement) as a whole. The summary of regulatory basis expenditures – actual and budget and individual fund schedules of regulatory basis receipts and expenditures – actual and budget, (schedules 1 and, 2 as listed in the table of contents) are presented for purposes of additional analysis and are not a required part of the 2014 basic financial statement, however, are required to be presented under the provisions of the *Kansas Municipal Audit and Accounting Guide*. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 2014 basic financial statement. The 2014 information has been subjected to the auditing procedures applied in the audit of the 2014 basic financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 2014 basic financial statement or to the 2014 basic financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the 2014 basic financial statement as a whole on the basis of accounting described in Note 1.

Other Information

Our audit was conducted for the purpose of forming an opinion on the fund summary statement of regulatory basis receipts, expenditures and unencumbered cash balances (basic financial statement) as a whole. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statement. The schedule of expenditures of federal awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statement. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statement or to the basic financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statement as a whole

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated July 30, 2015, on our consideration of **City of Windom, Kansas'** internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering **City of Windom, Kansas'** internal control over financial reporting and compliance.



David A. O'Dell CPA LLC
McPherson, Kansas
July 30, 2015

CITY OF WINDOM, KANSAS

SUMMARY STATEMENT OF RECEIPTS, EXPENDITURES AND UNENCUMBERED CASH
REGULATORY BASIS
For the Year Ended December 31, 2014

Funds	Beginning Unencumbered Cash Balance	Prior Year Cancelled Encumbrances	Receipts	Expenditures	Ending Unencumbered Cash Balance	Add Encumbrances and Accounts Payable	Ending Cash Balance
GENERAL FUND:							
General Operating Fund	\$ (22,454)	\$ -	\$ 160,165	\$ 129,908	\$ 7,803	\$ 8,587	\$ 16,390
SPECIAL PURPOSE FUNDS:							
Sewer Lift Station Fund	8,671	-	9,828	10,522	7,977	-	7,977
Special Highway Fund	490	-	3,378	-	3,868	-	3,868
Total Special Purpose Funds	9,161	-	13,206	10,522	11,845	-	11,845
CAPITAL PROJECT FUNDS:							
Water System Improvement Fund	-	-	642,460	642,460	-	4,094	4,094
Utility Reserve Fund	72,522	-	54	72,576	-	-	-
Capital Improvements Reserve Fund	46,589	-	-	3,299	43,290	-	43,290
Total Capital Project Funds	119,111	-	642,514	718,335	43,290	4,094	47,384
BUSINESS FUNDS							
Water Utility Fund	120,525	-	59,280	71,323	108,482	5,902	114,384
Solid Waste	4,987	-	8,852	8,715	5,124	645	5,769
Sewer Utility Fund	16,396	-	11,793	4,871	23,318	99	23,417
Total Business Funds	141,908	-	79,925	84,909	136,924	6,646	143,570
Total Primary Government	247,726	-	895,810	943,674	199,862	19,327	219,189
Total Reporting Entity (Excluding Agency Funds)	\$ 247,726	\$ -	\$ 895,810	\$ 943,674	\$ 199,862	\$ 19,327	\$ 219,189

The notes to the financial statement are an integral part of this statement.

CITY OF WINDOM, KANSAS

SUMMARY STATEMENT OF RECEIPTS, EXPENDITURES AND UNENCUMBERED CASH
REGULATORY BASIS

For the Year Ended December 31, 2014

STATEMENT 1
Page 2 of 2

COMPOSITION OF CASH:	
Cash on hand	151
Checking Accounts - City Clerk	\$ 93,661
Savings Accounts -- City Clerk	38,639
Certificates of Deposit - City Clerk	93,817
Total Cash	226,268
Agency Funds per Schedule 3	(7,079)
Total Cash - Primary Government (Excluding Agency Funds)	219,189

The notes to the financial statement are an integral part of this statement.

CITY OF WINDOM, KANSAS
NOTES TO SPECIAL FINANCIAL STATEMENT

December 31, 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Financial Reporting Entity

The City of Windom is a municipal corporation governed by an elected six-member council. These financial statements present the City of Windom (the municipality). The city does not have any related municipal entities.

(b) Regulatory Basis Fund Types

The accounts of the Municipality are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its cash, liabilities, fund balance, receipts and expenditures. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the measures by which spending activities are controlled. Funds are classified into fund types. The city used the following fund types:

General Operating Fund -. The chief operating fund. Used to account for all resources except those required to be accounted for in another fund.

Special Purpose Fund – used to account for the proceeds from specific tax levies and other specific regulatory receipt sources (other than Capital Project and tax levies for long-term debt) that are intended for specified purposes.

Capital Project Fund – used to account for the debt proceeds and other financial resources to be used for acquisition or construction of major capital facilities.

Business Fund – funds financed in whole or in part by fees charged to users of the goods or services (i.e. enterprise and internal service funds).

Agency Funds – funds used to report assets held by the municipal reporting entity in a purely custodial capacity (i.e. payroll clearing fund)

(c) Regulatory Basis of Accounting

Regulatory Basis of Accounting and Departure from Accounting Principles Generally Accepted in the United States of America. The Kansas Municipal Audit and Accounting Guide (KMAAG) regulatory basis of accounting involves the recognition of cash, cash equivalents, marketable investments, and certain accounts payable and encumbrance obligations to arrive at net unencumbered cash and investments balance on a regulatory basis for each fund, and the reporting of changes in unencumbered cash and investments of a fund resulting from the difference in regulatory basis receipts and regulatory basis expenditures for the fiscal year. All recognized assets and liabilities are measured and reported at cost, unless they have been permanently impaired and have no future cash value or represent no future obligation against cash. The KMAAG regulatory basis does not recognize capital assets, long-term debt, accrued receivables and payables, or any other assets, liabilities, or deferred inflows or outflows other than those mentioned above.

The Municipality has approved a resolution that is in compliance with K.S.A. 75-1220a(c) waiving the requirement for application of generally accepted accounting principles and allowing the municipality to use the regulatory basis of accounting.

(d) Budgetary Information

Kansas statutes require that an annual operating budget be legally adopted for the General Fund, Special Purpose Funds (unless specifically exempted by statute), Bond and Interest Funds and Business Type Funds. Although directory rather than mandatory, the statutes provide for the following sequence and timetable in the adoption of the legal annual operating budget:

1. Preparation of the budget for the succeeding year on or before August 1.
2. Publication in local newspaper on or before August 5th of the proposed budget and notice of the public hearing on the budget
3. Public hearing on or before August 15th but at least ten days after publication of notice of hearing.
4. Adoption of the final budget on or before August 25.

The statutes allow for the governing body to increase the originally adopted budget for previously unbudgeted increases in revenue other than ad valorem property taxes. To do this, a notice of public hearing to amend the budget must be published in the local newspaper. At least ten days after publication the hearing may be held and the governing body may amend the budget at that time. There were no such amendments for this year.

The statutes permit transferring budgeted amounts between line items within an individual fund. However, such statutes prohibit expenditures in excess of the total amount of the adopted budget of expenditures of individual funds. Budget comparison statements are presented for each fund showing actual receipts and expenditures compared to legally budgeted receipts and expenditures.

All legal annual operating budgets are prepared using the regulatory basis of accounting, in which regulatory receipts are recognized when cash is received and expenditures include disbursements, accounts payable, and encumbrances, with disbursements being adjusted for the prior year's accounts payable and encumbrances. Encumbrances are commitments by the municipal for future payments and are supported by a document evidencing the commitment, such as a purchase order or contract. Any unused budgeted expenditure authority lapses at year end.

A legal operating budget is not required for Capital Project Funds, Trust Funds, Agency Funds and certain Special Purpose Funds.

Spending in funds which are not subject to the legal annual operating budget requirement is controlled by federal regulations, other statutes or by the use of internal spending limits established by the governing body.

(f) Special Assessments

Projects financed in part by special assessments are financed through general obligation bonds of the City and are retired from the Bond and Interest Fund. Special assessments paid prior to the issuance of bonds are recorded as revenue in the appropriate project. Special assessments received after the issuance of bonds are recorded as revenue in the Bond and Interest Fund.

(g) Subsequent Events

Subsequent events have been evaluated through July 30, 2015, which is the date the audited financial statements were available to be issued.

(h) Reimbursements

A reimbursement is an expenditure or expense made initially made in one fund but properly attributable to another fund. For example, it is common for the general fund to pay a vendor's bill and have portions of it reimbursed from other funds. In accounting for such reimbursements, the municipality records an expenditure in the reimbursing fund and a reduction of expenditure in the reimbursed fund following the authoritative guidance provided under KMAAG regulatory basis of accounting.

(i) Property Tax Calendar

Collection of current year property tax by the County Treasurer is not completed, apportioned not distributed to the various subdivisions until the succeeding year, such procedure being in conformity with governing state statutes. Property taxes are collected and remitted to the County Treasurer. Taxes levied annually on November 1st are due one-half by December 20th and one-half by May 10th. Major tax distributions are made in the months of December and July. Lien dates for personal property are in March and August and lien dates for real property are September. Taxes are recognized as revenue in the year received. Delinquent tax payments are recognized as revenue in the year received.

(j) Restricted Assets

Restricted cash balances are reported in various funds that are legally restricted for specific uses such as the payment of debt service and fiscal fees on long-term debt and for expenditures approved in federal and state grant contracts. Also cash is restricted in trust and agency funds of the City for special purposes.

2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Compliance with Kansas Statutes

The city was in violation of K.S.A. 10-816; checks totally \$998.13 outstanding for two or more years have not been cancelled or restored to the general fund. Checks totaling \$51.03 outstanding for two or more years have not been cancelled or restored to the water fund.

At December 31, 2013 the city was in violation of K.S.A. 10-1113 and K.S.A 10-1121. The general operating fund had an indebtedness in excess of available monies of \$22,454. Monies to cover the indebtedness in excess of available were advanced from the capital improvements reserve fund so all paid invoices were honored. As of December 31, 2014, the city's general fund is in compliance with both of the above statutes and the advances from the capital improvements reserve fund to the general fund had been refunded.

3. CASH AND INVESTMENTS

(a) Deposits and Investments

As of December 31, 2014, the municipality had the following investments and maturities:

Investment Type	Fair Value	Maturity less than one year	Maturity one to two years	Rating U.S
Certificates of Deposit	\$96,817	\$-0-	\$96,817	N/A

K.S.A. 9-1401 establishes the depositories which may be used by the Municipality. The statute requires banks eligible to hold the Municipality's funds have a main or branch bank in the county in which the Municipality is located, or in the adjoining county if such institution has been designated as an official depository, and the banks provide an acceptable rate of return on funds. In addition K.S.A 9-1402 requires the banks to pledge securities for deposits in excess of FDIC coverage. The Municipality has no other policies that would further limit interest rate risk.

K.S.A. 12-1675 limits the Municipality's investment of idle funds to time deposits, open accounts, and certificates of deposit with allowable financial institutions; U.S. government securities; temporary notes; no-fund warrants; repurchase agreements; and the Kansas Municipal Investment Pool. The Municipality has no investment policy that would further limit its investment choices. The rating of the Municipality's investments is noted above.

(b) Concentration of Credit Risk

State statutes place no limit on the amount the Municipality may invest in any one issuer as long as the investments are adequately secured under K.S.A. 9-1402 and 9-1405. The Municipality's allocation of investments as of December 31, 2014 is as follows:

Investments	Percentage of Investments
Certificates of Deposit	100%

(c) Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of bank failure, the Municipality's deposits may not be returned to it. State statutes require the Municipality's deposits in financial institutions to be entirely covered by federal depository insurance or by collateral held under a joint custody receipt issued by a bank within the State of Kansas, the Federal Reserve bank of Kansas City, or the Federal Home Loan Bank of Topeka except during designated "peak periods" when required coverage is 50%. The municipality's designated peak periods are from through. All deposits were legally secured at December 31, 2014.

At December 31, 2014, the Municipality's carrying amount of deposits including certificates of deposit, was \$226,268. The bank balance was \$225,556. The bank balance was held by 2 banks resulting in a concentration of credit risk. The difference between the carrying amount and the bank balance is checks outstanding and deposits in transit. Of the bank balance \$500,000 was covered by FDIC insurance.

(d) Custodial Credit Risk – Investments

For an investment, this is the risk that in the event of the failure of the issuer or counterparty the Municipality will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. State statutes required investments to be adequately secured.

At December 31, 2014 the Municipality had invested \$-0- in the State's municipal investment pool. The municipal investment pool is under the oversight of the Pooled Money Investment Board. The board is comprised of the State Treasurer and four additional members appointed by the State Governor. The board reports annually to the Kansas Legislature. State pooled monies may be invested in direct obligations of or obligations that are insured as to principal and interest, by the U.S. government or any agency thereof, with maturities up to four years. No more than ten percent of those funds may be invested in mortgage backed securities. In addition the State pool may invest in repurchase agreements with Kansas banks or with primary government securities dealers.

4. PENSION COSTS AND EMPLOYEE BENEFITS

(a) Defined Benefit Pension Plan

Plan Description. The Municipality employee elected not to participate in the Kansas Public Employees Retirement System (KPERS) and the Fireman's Retirement System (KP&F). Both are a part of a cost-sharing multiple-employer defined benefit pension plan as provided by Kansas law. KPERS and KP&F provide retirement benefits, life insurance, disability income benefits, and death benefits. Kansas law establishes and amends benefit provisions. KPERS and KP&F issue a publicly available financial report (only one is issued) that includes financial statements and required supplementary information. Those reports may be obtained by writing to KPERS (400 SW 8th Avenue, Suite 200; Topeka, KS 66603-3925) or by calling 1-888-257-5737.

Funding Policy. K.S.A. 74-4919 and K.S.A. 74-49,201 establishes the KPERS member-employee contribution rate. Effective July 1, 2009 KPERS has two benefit structures and funding depends on whether the employee is at Tier 1 or Tier 2 member. Tier 1 members are active and contributing members hired before July 1, 2009. Tier 2 members were first employed in a covered position on or after July 1, 2009. Kansas law establishes the KPERS member-employee contribution rate at 5% of covered salary for Tier 1 members and at 7% of covered salary for Tier 2 members. K.S.A 74-4975 establishes KP&F member employee contribution rate at 7% of covered salary. The employer collects and remits member-employee contributions according to the provisions of section 414(h) of the Internal Revenue Code. Kansas law provides employer contribution rates be determined annually based on the results of an annual actuarial valuation. KPERS and KP&F are funded on an actuarial reserve basis. The employer rate established by statute for calendar year 2014 is 9.48%. The city employer contributions to KPERS for the year ended December 31, 2014 is \$-0-.

(b) Compensated Absences

The City of Windom does not provide compensated absence benefits for sick leave. Two weeks of vacation is allowed and must be taken by calendar year end.

(c) Other Post Employment Benefits

As provided by K.S.A. 12-5040 the municipality allows retirees to participate in the group health insurance plan. While each retiree pays the full amount of the applicable premium, conceptually, the municipality is subsidizing the retirees because each participant is charged a level premium regardless of age. However the cost of this subsidy has not been quantified in this financial statement. The city has not provided any medical insurance benefits for employees and are not subject to K.S.A. 12-5040.

Under the Consolidated Omnibus Budget Reconciliation Act (COBRA) the government makes health care benefits available for eligible former employees and eligible dependents. Certain requirements are outlined by the federal government for this coverage. The premium is paid in full by the insured

5. CLAIMS AND JUDGMENTS

The City is exposed to various risks of loss related to property loss, torts, and errors and omissions. The City has purchased commercial insurance for these potential risks. There have been no significant reductions in insurance coverage in 2014 and there were no settlements that exceeded insurance coverage in 2014.

6. INTERFUND TRANSFERS

From	To	Statutory Authority	Amount
Utility Reserve Fund	General Fund	K.S.A 12-630a	\$ 72,550

7. CAPITAL PROJECTS

Capital Project authorizations with approved change orders compared with cash disbursements and accounts payable from inception are as follows:

	Project Authorization	Cash Disbursements , Accounts Payable and Encumbrances
Water System Improvement Fund	\$ 834,470	\$ 642,460

The Water System Improvement project was completed during 2014 with the final payment occurring on Total payments on the project were \$642,460 paid during year ended December 31, 2014.

8. FUND NET POSITION

Reserves of business funds are created by increases in assets restricted for encumbered expenditures chargeable to the 2014 budget but paid out in 2015. Outstanding encumbrances and accounts payable by fund are as follows:

Fund Description	Accounts Payable	Encumbrance	Total
General Operating	\$2,987	\$5,600	\$8,587
Sewer Lift Station	-0-	-0-	-0-
Special Highway	-0-	-0-	-0-
Water System Improvement Fund	-0-	4,094	4,094
Utility Reserve Fund	-0-	-0-	-0-
Capital Improvement Fund	-0-	-0-	-0-
Water Utility Fund	1,302	4,600	5,902
Solid Waste Fund	645	-0-	645
Sewer Utility Fund	99	-0-	99
Totals	\$5,033	\$14,294	\$19,327

9. LONG TERM DEBT

The City of Windom, Kansas has the following types of Long-Term Debt:

Sewer Lift Station Fund:

Note payable to KDHE dated September 30, 2005 in the amount of \$ 169,907 due in semi-annual installments of \$5,261 including interest at 2.57% due March 1, 2027 with an outstanding balance of \$111,885. Unpaid interest and fees at December 31, 2014 are \$958

Water Fund:

General Obligation Bond Payable registered with the State of Kansas due to the United States Department of Agriculture, dated April 7, 2014 in the amount of \$296,000 with annual payments of \$11,792 including interest at 2.5% due April 7, 2054 with an outstanding balance of \$296,000. Unpaid interest at December 31, 2014 is \$5,433.

Changes in long-term liabilities for the City of Windom, Kansas for the year ended December 31, 2014 are as follows:

Issue	Interest Rates	Date of Issue	Amount Of Issue	Date of Final Maturity	Balance Beginning Of Year	Additions	Payment	Net Change	Balance End of Year	Interest And Fees Paid
General Obligation Bond										
Series 2014 General obligation bond	2.50%	4/7/2014	\$296,000	4/7/2054	\$-0-	\$296,000	\$-0-	\$296,000	\$296,000	\$-0-
Revenue Notes										
Kansas Department of Health and Environment Sewer Lift	2.57%	9/30/2005	\$169,907	3/1/2027	\$119,387	\$-0-	\$7,502	(\$7,502)	\$111,885	\$3,020

Current maturities of long-term liabilities of the City of Windom, Kansas for the next five years and in five year increments through maturity are as follows:

Issue	2015	2016	2017	2018	2019	2020-2024	2025-2029	2030-2034	2035-2039	2040-2044	2045-2049	2050-2054
Principal Payments												
General Obligation Bond Principal Payments												
Series 2014 General obligation bond	\$4,391	\$4,481	\$4,613	\$4,729	\$4,847	\$26,075	\$29,523	\$33,405	\$37,796	\$42,757	\$48,390	\$54,993
Revenue Notes Principal Payments												
Kansas Department of Health and Environment Sewer Lift	\$7,753	\$7,950	\$8,151	\$8,358	\$8,570	\$46,217	\$24,832	\$-0-	\$-0-	\$-0-	\$-0-	\$-0-
Interest Payments												
General Obligation Bond Interest Payments												
Series 2014 General obligation bond Interest	\$7,400	\$7,310	\$7,178	\$7,062	\$6,944	\$32,882	\$29,433	\$25,553	\$21,161	\$16,201	\$10,569	\$4,207
Revenue Notes Interest Payments												
Kansas Department of Health and Environment Sewer Lift interest	\$2,769	\$2,572	\$2,371	\$2,164	\$1,952	\$6,393	\$27,778	\$-0-	\$-0-	\$-0-	\$-0-	\$-0-

9. OTHER RELATIONSHIPS

McPherson Area Solid Waste Utility

The City of Windom, Kansas along with McPherson County and seven other cities located within McPherson County entered into an interlocal agreement, authorized by State Statute to form the McPherson Area Solid Waste Utility (the Utility) effective July 17, 1991. The purpose of the Utility is to assist its Members in planning, technical and financial matters for comprehensive solid waste management and accomplish the desired objectives of an effective county-wide solid waste management program, including the operation of a cooperative solid waste processing and disposal system for the benefit of its members.

Management of the Utility is carried out by an appointed three member board of directors. The City of McPherson appoints one member to the board of directors, McPherson County appoints a second Director and the third director is appointed collectively by the other seven members of the Utility.

The agreement and the Utility may be terminated by written consent of two-thirds of the Members, provided that prior to such termination all contractual obligations and indebtedness of the Utility have been paid in full or sufficient resources have been escrowed for the payment of such obligation in full when due. Upon such termination, the Board of Directors shall liquidate the Utility and distribute the assets in a manner that, in its discretion, it deems appropriate. Accordingly, any ongoing financial interest or access to the Utility's resources is indeterminable until such action is taken by its Board of Directors. In addition, no Member shall be permitted to withdraw for twenty years or such sooner time as provision is made for the payment or discharge of the debt incurred by the County or assumed by the Utility. Any withdrawing Member shall not be entitled to distribution of any real or personal property of the Utility by reason of its withdrawal.

The Board of Directors shall determine the methods of obtaining financing for the Utility. The county provided the initial financing for the acquisition of the land to be used as a site for refuse, constructing structures, and acquiring equipment necessary for the sanitary disposal of refuse in McPherson County. Effective January 1, 1992, the fiscal accounting and operations of the Utility were transferred from McPherson County to management of the Utility.

Complete financial statements for the McPherson Area Solid Waste Utility may be obtained from the administrative offices of the entity 1431 17th Avenue, McPherson, Kansas 67460.

10. Grants and Shared Revenues

City of Windom, Kansas participates in state and federal grant programs, which are governed by various rules and regulations for grantor agencies. Costs charged to the respective grant programs complied with the rules and regulations governing the grants, refunds of any money receive may be required. In the opinion of the City, any liability for reimbursement which may arise as a result of the audit, is believed to be immaterial.

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Post Office Box 1032
McPherson, KS 67460



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**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT
AUDITING STANDARDS**

To the City Council
City of Windom, Kansas
Windom, Kansas

We have audited, in accordance with the auditing standards generally accepted in the United States of America, the *Kansas Municipal Audit and Accounting Guide* and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statement of **City of Windom, Kansas**, as of and for the year ended December 31, 2014, and the related notes to the financial statement, and have issued our report thereon dated July 30, 2015. The report on the audited financial statement was adverse because it was not presented in conformity with accounting principles generally accepted in the United States of America; however, it was Unqualified as presented on a prescribed basis of accounting that demonstrates compliance with the cash basis and budget laws of the State of Kansas, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statement, we considered **City of Windom, Kansas'** internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of **City of Windom, Kansas'** internal control. Accordingly, we do not express an opinion on the effectiveness of **City of Windom, Kansas'** internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified a certain deficiency in internal control that we consider to be a material weakness.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and questioned costs to be a material weakness. A *significant deficiency in internal control* is a deficiency or a combination of deficiencies, in internal control over financial reporting that is less severe than a material weakness yet important enough to merit attention by those responsible for oversight of the entity's financial reporting.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether **City of Windom, Kansas'** financial statement is free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material

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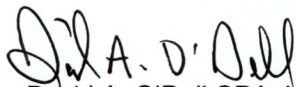
combination of deficiencies, in internal control such that there is a reasonable possibility that a material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

City of Windom, Kansas' Response to Finding

City of Windom, Kansas' response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. **City of Windom, Kansas'** response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



David A. O'Dell CPA, LLC.
McPherson, Kansas
July 30, 2015

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**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR
THE MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE AND ON SCHEDULE OF EXPENDITURES OF FEDERAL
AWARDS REQUIRED BY OMB CIRCULAR A-133**

To the City Council
City of Windom, Kansas
Windom, Kansas

Report on Compliance for The Major Federal Program

We have audited **City of Windom, Kansas'** compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on the **City of Windom, Kansas'** major federal program for the year ended December 31, 2014. **City of Windom, Kansas'** major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for the **City of Windom, Kansas'** major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the *Kansas Municipal Audit Guide*; the standards applicable to financial audits OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about **City of Windom, Kansas'** compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of **City of Windom, Kansas'** compliance.

Unmodified Opinion on the Major Federal Program

In our opinion the City of Windom, Kansas complied, in all material respects, with the types of compliance requirements referred to above that could have a material and direct effect on its major federal program identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs for the year ended December 31, 2014.

Other Matters

The results of our auditing procedures disclosed other instances of noncompliance which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items. Our opinion on the major federal program is not modified with respect to these matters.

City of Windom, Kansas' response to the noncompliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. City of Windom, Kansas response was not subject to the auditing procedures applied in the audit of compliance and, accordingly, we do express no opinion on their response.

Report on Internal Control Over Compliance

Management of **City of Windom, Kansas** is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered **City of Windom, Kansas'** internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of **City of Windom, Kansas'** internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of

OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in black ink, appearing to read "David A. O'Dell". The signature is fluid and cursive, with the first name "David" and last name "O'Dell" clearly distinguishable.

David A. O'Dell CPA, LLC.
McPherson, Kansas
July 30, 2015

CITY OF WINDOM, KANSAS
(Budgeted Funds Only)
SUMMARY OF EXPENDITURES - ACTUAL AND BUDGET
REGULATORY BASIS
For the Year Ended December 31, 2014

	<u>Certified Budget</u>	<u>Adjustment for Qualifying Budget Credits</u>	<u>Total Budget for Comparison</u>	<u>Expenditures Chargeable to Current Year</u>	<u>Variance- Over (Under)</u>
GENERAL FUND					
General Operating Fund	\$ 142,100	\$ -	\$ 142,100	\$ 129,908	\$ (12,192)
SPECIAL PURPOSE FUNDS:					
Sewer Lift Station Utility Fund	13,196	-	13,196	10,522	(2,674)
Special Highway Fund	3,770	-	3,770	-	(3,770)
CAPITAL PROJECTS FUNDS:					
Capital Improvement Fund	46,589	-	46,589	3,299	(43,290)
BUSINESS FUNDS:					
Water Utility Fund	130,306	-	130,306	71,323	(58,983)
Solid Waste fund	15,245	-	15,245	8,715	(6,530)
Sewer Utility Fund	23,426	-	23,426	4,871	(18,555)

CITY OF WINDOM, KANSAS
GENERAL OPERATING FUND

SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET
REGULATORY BASIS
For the Year Ended December 31, 2014

	Current Year		Variance- Over (Under)
	Actual	Budget	
Cash Receipts:			
Ad Valorem Taxes -			
Current Tax	\$ 23,100	\$ 23,830	\$ (730)
Delinquent Tax	719	400	319
Motor Vehicle Tax	3,564	2,950	614
Recreational Vehicle Tax	111	141	(30)
Park Grant	1,030	1,030	-
Sales Tax	13,345	11,000	2,345
Compensating Use Tax	2,372	2,100	272
Licenses, Permits, and Fees -			
Franchise	8,107	7,000	1,107
Dog Licenses	130	-	130
Court Fines and Vehicle Inspections	802	-	802
Other Income	3,544	5,000	(1,456)
Interest Income	55	1,000	(945)
Surcharge	-	1,900	(1,900)
Miscellaneous Income	-	1,700	(1,700)
Economic Development	134	-	134
Reimbursements			
Water Fund Wages	20,199	19,000	1,199
Water Fund Other	2,211	-	2,211
Waterline Project	4,214	-	4,214
Transfer Utility Reserve Fund	72,550	-	72,550
Transfer Water Fund	3,978	-	3,978
Total Cash Receipts	\$ 160,165	\$ 77,051	\$ 83,114
Expenditures:			
General Government -			
Personal Services	53,319	\$ 51,000	\$ 2,319
General Administration	47,083	52,700	(5,617)
Law Enforcement	3,795	12,000	(8,205)
Maintenance	6,658	7,900	(1,242)
Street Lights	5,754	4,600	1,154
Streets	8,841	6,800	2,041
Park	3,453	4,700	(1,247)
Other	1,005	2,400	(1,395)
Total Expenditures	\$ 129,908	\$ 142,100	\$ (12,192)
Receipts Over (Under) Expenditures	30,257		
Unencumbered Cash, Beginning	(22,454)		
Unencumbered Cash, Ending	\$ 7,803		

CITY OF WINDOM, KANSAS
SPECIAL PURPOSE FUND - SEWER LIFT STATION FUND

SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET
REGULATORY BASIS
For the Year Ended December 31, 2014

	Current Year		Variance- Over (Under)
	Actual	Budget	
Cash Receipts:			
Charges to Customers	\$ 9,828	\$ 9,900	\$ (72)
Interest on Idle Funds	-	800	(800)
	<u>\$ 9,828</u>	<u>\$ 10,700</u>	<u>\$ (872)</u>
Expenditures:			
Principal Payments - KDHE	\$ 7,502	\$ 7,502	\$ -
Interest Payments - KDHE	2,726	2,726	-
Fee Payments - KDHE	294	294	-
Contractual	-	2,674	(2,674)
	<u>\$ 10,522</u>	<u>\$ 13,196</u>	<u>\$ -</u>
 Receipts Over (Under) Expenditures	 (694)		
 Unencumbered Cash, Beginning	 <u>8,671</u>		
 Unencumbered Cash, Ending	 <u>\$ 7,977</u>		

**CITY OF WINDOM, KANSAS
SPECIAL PURPOSE FUND - SPECIAL HIGHWAY FUND**

**SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET
REGULATORY BASIS**

For the Year Ended December 31, 2014

	<u>Current Year</u>		<u>Variance- Over (Under)</u>
	<u>Actual</u>	<u>Budget</u>	
Cash Receipts:			
State of Kansas - Fuel Tax	\$ 3,378	\$ 3,390	\$ (12)
Expenditures:			
Contractual	-	3,770	(3,770)
Total Expenditures	\$ -	\$ 3,770	\$ (3,770)
Receipts Over (Under) Expenditures	3,378		
Unencumbered Cash, Beginning	490		
Unencumbered Cash, Ending	<u>\$ 3,868</u>		

**CITY OF WINDOM, KANSAS
CAPITAL PROJECTS FUND -WATER SYSTEM IMPROVEMENT FUND**

**SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL
REGULATORY BASIS**

For the Year Ended December 31, 2014

	<u>Current Year</u>
Cash Receipts:	
General Obligation Bond Proceeds	\$ 296,000
USDA Grant	161,640
Community Block Development Grant	184,820
	<u>\$ 642,460</u>
Expenditures:	
Capital Outlay Water Line	<u>\$ 642,460</u>
Receipts Over (Under) Expenditures	-
Unencumbered Cash, Beginning	<u>-</u>
Unencumbered Cash, Ending	<u><u>\$ -</u></u>

CITY OF WINDOM, KANSAS
CAPITAL PROJECTS FUND -- UTILITY RESERVE FUND
SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL
REGULATORY BASIS
For the Year Ended December 31, 2014

	<u>Current Year</u>
Cash Receipts:	
Interest on deposited funds	<u>\$ 54</u>
Total Cash Receipts	<u>54</u>
Expenditures:	
Commodities	\$ 1
Other	25
Transfers to General Fund	<u>72,550</u>
Total Expenditures	<u>\$ 72,576</u>
Receipts Over (Under) Expenditures	(72,522)
Unencumbered Cash, Beginning	<u>72,522</u>
Unencumbered Cash, Ending	<u><u>\$ -</u></u>

CITY OF WINDOM, KANSAS
CAPITAL PROJECTS FUND - CAPITAL IMPROVEMENT FUND

SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET
REGULATORY BASIS
For the Year Ended December 31, 2014

	<u>Current Year</u>		<u>Variance-</u>
	<u>Actual</u>	<u>Budget</u>	<u>Over</u>
			<u>(Under)</u>
Cash Receipts:	\$ -	\$ -	\$ -
Expenditures:			
Purchases of Equipment	\$ 3,299	\$ 46,589	\$ (43,290)
Receipts Over (Under) Expenditures	(3,299)		
Unencumbered Cash, Beginning	46,589		
Unencumbered Cash, Ending	<u>\$ 43,290</u>		

**CITY OF WINDOM KANSAS
BUSINESS FUND - WATER UTILITY FUND**

**SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET
REGULATORY BASIS**

For the Year Ended December 31, 2014

	Current Year		Variance- Over (Under)
	Actual	Budget	
Cash Receipts:			
Charges for services	\$ 57,499	\$ 72,000	\$ (14,501)
Interest on Idle Funds	381	1,600	(1,219)
Water Protection Fee	131	-	131
Sales Tax	1,269	-	1,269
Total Cash Receipts	59,280	\$ 73,600	\$ (14,320)
Expenditures:			
Personal services	\$ 26,394	\$ 20,000	\$ 6,394
Contractual	11,763	11,550	213
Commodities	27,930	85,564	(57,634)
Capital Outlay	1,030	-	1,030
Debt Service	-	11,792	(11,792)
Sales Tax	228	1,400	(1,172)
Transfer Out - General Operating Fund	3,978	-	3,978
Total Expenditures	\$ 71,323	\$ 130,306	\$ (58,983)
Receipts Over (Under) Expenditures	(12,043)		
Unencumbered Cash, Beginning	120,525		
Unencumbered Cash, Ending	\$ 108,482		

CITY OF WINDOM, KANSAS
BUSINESS FUND - SOLID WASTE FUND

SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET
REGULATORY BASIS
For the Year Ended December 31, 2014

	Current Year		Variance- Over (Under)
	Actual	Budget	
Cash Receipts:			
Charges for services	\$ 8,819	\$ 9,000	\$ (181)
Sales Tax Receipts	33	-	33
Total Cash Receipts	8,852	\$ 9,000	\$ (148)
Expenditures:			
Personal services	\$ 333	\$ 300	\$ 33
Contractual	8,382	13,900	(5,518)
Commodities	-	1,045	(1,045)
Total Expenditures	\$ 8,715	\$ 15,245	\$ (6,530)
Receipts Over (Under) Expenditures	137		
Unencumbered Cash, Beginning	4,987		
Unencumbered Cash, Ending	\$ 5,124		

CITY OF WINDOM, KANSAS
BUSINESS FUND - SEWER UTILITY FUND

SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET
REGULATORY BASIS

For the Year Ended December 31, 2014

	Current Year		Variance- Over (Under)
	Actual	Budget	
Cash Receipts:			
Charges for services	\$ 11,750	\$ 10,000	\$ 1,750
Sales tax collected	43	-	43
Total Cash Receipts	11,793	\$ 10,000	\$ 1,793
Expenditures:			
Personal services	\$ 2,099	\$ 1,100	\$ (999)
Contractual	2,219	1,000	(1,219)
Commodities	553	3,000	2,447
Capital Outlay	-	18,326	18,326
Total Expenditures	\$ 4,871	\$ 23,426	\$ (18,555)
Receipts Over (Under) Expenditures	6,922		
Unencumbered Cash, Beginning	16,396		
Unencumbered Cash, Ending	\$ 23,318		

**CITY OF WINDOM KANSAS
AGENCY FUNDS**

**SUMMARY OF RECEIPTS AND EXPENDITURES
REGULATORY BASIS
For the Year Ended December 31, 2014**

<u>Fund</u>	<u>Beginning Cash Balance</u>	<u>Receipts</u>	<u>Expenditures</u>	<u>Ending Cash Balance</u>
Utility Collections Fund	\$ <u>150</u>	<u>91,085</u>	<u>84,156</u>	\$ <u>7,079</u>

CITY OF WINDOM, KANSAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended December 31, 2014

SECTION I - SUMMARY OF AUDITORS' RESULTS

Type of Auditors' Report Issued

The auditors' report expresses an adverse opinion from accounting principles generally accepted in the United States of America due to preparation of the financial statements in accordance with the regulatory basis of accounting. The auditors' report expresses an unqualified opinion on the financial statement prepared in accordance with the regulatory basis of accounting.

Internal Control Over Financial Reporting

**Number
of Deficiencies**

1. Material Weakness Identified	Yes	(1)
2. Significant Deficiency Identified	No	
3. Noncompliance Material to Financial Statements Noted	No	

FEDERAL AWARDS

Internal Control Over Major Programs

1. Material Weakness Identified	No
2. Significant Deficiency Identified	No
3. Type of Report Issued on Compliance for Major Programs	Unmodified
4. Any Findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A133	No

Identification of Major Programs

CFDA Numbers
10.760

Name of Federal Program
Water and Waste Disposal Systems for Rural Communities

Dollar Threshold used to Distinguish between Type A and Type B Programs	\$300,000.00
Auditee Qualified as Low Risk Auditee?	No

CITY OF WINDOM, KANSAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended December 31, 2014

SECTION II -- FINANCIAL STATEMENT FINDINGS

Material Weakness in Internal Control

2014-001

Criteria or specific requirement

Control Activities: Internal controls should be in place to ensure that employees do not have incompatible duties.

Condition

Proper segregation of duties does not exist in the accounting system.

Effect

Management may not become aware of problems or irregularities in a timely manner.

Cause

It is cost prohibitive the City to hire additional personnel.

Recommendation

Procedures should be established and implemented where the city implements segregation of duties in the receipts and expenditures cycles and implements additional internal control.

Views of responsible officials and planned corrective actions

The City is aware that employees have incompatible duties; however, due to the size of the City, it would not be feasible to hire additional personnel. The city is continuing to review the duties of the current personnel and to strengthen internal control based upon its current staffing.

CITY OF WINDOM, KANSAS
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
For the Year Ended December 31, 2014

No material findings or questioned costs for the year ended December 31, 2013 are required to be disclosed under OMB Circular A-133.

CITY OF WINDOM, KANSAS
 SCHEULE OF EXPENDITURES OF FEDERAL AWARDS
 FOR THE YEAR ENDED DECEMBER 31, 2014

<u>Federal Grantor/ Pass-through Grantor / Program Title</u>	<u>Federal CFDA Number</u>	<u>Agency or Pass Through Number</u>	<u>Program or Award Amount</u>	<u>Federal Expenditures</u>
<u>U.S. Department of Agriculture</u>				
Rural Development Grant	10.760		\$ 278,470.00	\$ 161,640.00
Rural Development Loan (General Obligation Bonds Issued)	10.760		<u>296,000.00</u>	<u>296,000.00</u>
Sub-Total for Program			574,470.00	457,640.00
 <u>U.S. Department of Housing and Urban Development</u>				
Passed through Kansas Department of Commerce				
Community Development Block Grant	14.228	13-PF-011	<u>260,000.00</u>	<u>184,820.00</u>
Total Schedule of Federal Awards			<u>\$ 834,470.00</u>	<u>\$ 642,460.00</u>

CITY OF WINDOM, KANSAS
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2014

Note 1 - The accompanying schedule of expenditures of federal awards includes the federal grant activity of the City and is presented in accordance with the cash basis and budget laws of the State of Kansas. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit organizations. Some of the amounts presented in this schedule may differ from amounts presented or used in the preparation of the basic financial statement.

Note 2 - Federal expenditures for the water line project were paid from the Water System Improvement Fund.

Note 3 - No federal expenditures were made for insurance coverage during the year ended December 31, 2014.